MANAGEMENT'S DISCUSSION & ANALYSIS

PENDER GROWTH FUND INC.

Three months and nine months ended September 30, 2021

PENDER

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated November 24, 2021 presents a review of the unaudited financial results for Pender Growth Fund Inc. ("Pender" or the "Company") for the three months and nine months ended September 30, 2021, and assesses factors that may affect future results. The financial condition and results of operations are analyzed and significant factors that affected Pender's statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows are discussed.

The MD&A is supplementary information and should be read in conjunction with Pender's unaudited condensed interim financial statements and the notes thereto for the three months and nine months ended September 30, 2021 (the "Condensed Interim Financial Statements") and Pender's audited financial statements and the notes thereto for the year ended December 31, 2020 (the "Annual Audited Financial Statements"). All amounts shown in this MD&A are presented in Canadian dollars unless otherwise specified.

The MD&A has been prepared by PenderFund Capital Management Ltd. (the "Manager") and is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, which is made up of three directors, a majority of whom are independent directors. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

Additional information about Pender is available on the SEDAR website at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements about the Company, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects and possible future Company action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Company and economic factors, among other things. Forward looking statements in this MD&A include, without limitation: statements with respect to the future performance of the Company's Portfolio Companies; future transactions involving its existing Portfolio Companies (including acquisitions of such Portfolio Companies) or potential future Portfolio Companies or other future transactions, and/or proposed transactions; the Company's investment approach, objectives and strategies, including its focus on specific sectors; the structuring of its investments and its expectations regarding the performance of certain sectors.

Forward-looking statements are not guarantees of future performance and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these differences, including but not limited to: the ability of the Company to source additional investments; risks related to the emerging technology sector and the high proportion of companies from this sector in the portfolio; the ability to dispose of investments in private companies rapidly or at favourable prices; risks inherent in a concentrated portfolio, the availability of an active trading market for the Company's Class C shares; general economic, political and public market factors in North America and internationally; interest and foreign exchange rates; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings; global pandemics and catastrophic events. We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements whether as a result of new information or future events, or otherwise, prior to the release of the next MD&A.

Business Strategy

Pender is an investment entity that trades on the TSX Venture Exchange (the "TSXV"). Its objective is to provide its investors with long-term capital appreciation. Pender invests opportunistically in a concentrated portfolio of securities of both public and private companies (each a "Portfolio Company"). In its quest for long-term capital appreciation, the Manager thoroughly evaluates the long-term business prospects of each potential Portfolio Company and works to understand its current value as well as its value over the long-term investment horizon. This long-term focus is a primary factor in Pender's investment strategy, regardless of whether a Portfolio Company is publicly listed or private. Pender may also invest in special situations, for example, using available cash to take advantage of opportunities with attractive internal rates of return. Pender's strategy is to buy securities that it believes are mispriced and that have the potential to compound capital, either through the convergence from current market price to intrinsic value or through the growth of intrinsic value over time, or through a combination of both.

Pender's mandate provides it with the flexibility to invest in securities that it believes to have the highest potential risk adjusted returns at the time of investment. It is important to note that Pender defines risk as a permanent loss of capital, which differs from volatility risk. This flexible mandate allows Pender to take advantage of market cycles and different security types that it believes may have the potential to benefit its shareholders. Market cycles can provide opportunity as, from time-to-time, different industries, company stages or security types may become out of favour and attractively priced. Pender may invest in both newly established and later-stage businesses across a wide array of industries and security types, depending on the opportunity. The majority of Pender's investments will be in common equity or preferred equity securities, but it may make smaller allocations to convertible debt, corporate debt or other securities.

Non-IFRS Measures

The Company prepares and releases Condensed Interim Financial Statements and Annual Audited Financial Statements in accordance with IFRS. In this MD&A, we complement those IFRS disclosures with a number of the key indicators that we use to evaluate the performance and condition of our business. These supplementary key performance indicators include Net Assets, Net Assets per Share, Management Expense Ratio and Trading Expense Ratio. They are not recognized under IFRS nor do they have a standard meaning prescribed by IFRS. We present them to enhance the reader's ability to evaluate the Company. They may not be directly comparable to similar measures used by other companies and readers are cautioned not to view the non-IFRS measures as alternatives to IFRS measures. It should be noted that the Company also uses two non-IFRS measures, Reporting NAV and Reporting NAV per Share as described in the "Recent Developments" section of this MD&A.

Net Assets

The Company uses two financial measures that are individually recognized under IFRS, assets and liabilities, to calculate Net Assets, which is a non-IFRS measure. The calculation of Net Assets as at September 30, 2021 and December 31, 2020 is presented in the following table:

Net Assets	September 30, 2021	December 31, 2020
Assets	$ 183,823,948	$ 48,429,247
LESS: Liabilities	51,948,389	1,175,057
EQUALS Net Assets	$ 131,875,559	$ 47,254,190

Net Assets per Share

The Company uses three financial measures that are individually recognized under IFRS, assets, liabilities and number of shares outstanding, to calculate Net Assets per Share, which is a non-IFRS measure. The calculation of Net Assets per Share, as at September 30, 2021 and December 31, 2020 is presented in the following table:

Net Assets per Share	September 30, 2021	December 31, 2020
Assets	$ 183,823,948	$ 48,429,247
LESS: Liabilities	51,948,389	1,175,057
EQUALS Net Assets	$ 131,875,559	$ 47,254,190
DIVIDED BY Number of Shares Outstanding	7,616,529	7,740,129
EQUALS Net Assets per Share	$ 17.31	$ 6.11

Management Expense Ratio

The Company uses Management Expense Ratio ("MER") to represent the total amount of operating expenses, including management fees, sales taxes and interest but excluding performance fees net of fees waived/expenses absorbed by the Manager, contingent payments, corporate taxes, commission and other portfolio transaction costs, (together, the "MER Costs") that is borne by the Class C shareholders. The MER is an annualized percentage calculated by dividing total MER Costs by the average Net Assets.

Trading Expense Ratio

The Company uses Trading Expense Ratio ("TER") to represent the total amount of commissions and other portfolio transaction costs (the "TER Costs") that is borne by the Class C shareholders. The TER is an annualized percentage calculated by dividing total TER Costs by the average Net Assets.

It should also be noted that total shareholders' equity which is calculated under IFRS for financial reporting purposes may be different from the monthly reported net asset value per share ("Reporting NAV").

Risk Factors

An investment in Pender is suitable for investors that have a high tolerance for risk and a long-term investment horizon.

COVID-19

The COVID-19 global health pandemic and the negative impact of measures taken to contain the virus resulted in significant volatility and turmoil in World markets in early 2020. This was mitigated, to an extent, by fiscal and monetary stimulus, measures taken to reopen world economies, and the development and rollout of vaccines. The situation had an impact on many entities and the markets for the securities that they issue and the impact may continue. Investment results will depend on future developments and new information that may emerge regarding COVID-19 and its variants, factors which are beyond the Company's control.

Investments

Historically, Pender's investment focus was on early-stage technology companies. The prospects for success of emerging technology companies are critically dependent on numerous factors that may be difficult to evaluate, especially when they have limited operating histories. Investments in emerging technology companies are inherently risky, and in the case of failed businesses, may result in the total loss of the capital invested by Pender in a Portfolio Company. The technology companies in which Pender invests will typically require additional capital, which Pender may not be able to provide, or which may not be available from other sources.

At September 30, 2021, approximately 14.2% of Pender's portfolio was comprised of investments in public companies. Public company securities prices are influenced by the company's performance outlook, market activity and the larger economic picture. When the economy is expanding, the outlook for many companies will generally be good and the value of their stocks may rise. The opposite may also be true. Usually, the greater the potential reward, the greater the risk.

For small companies, start-ups, resource companies and companies in emerging sectors, both the risks and potential rewards of investment may be greater than those of larger, more established companies. Likewise, the share prices of such companies may be more volatile than the those of larger, more established companies. Further, the products and services offered by technology companies, for example, may become obsolete as science and technology advance. Certain convertible securities may also be subject to interest rate risk.

Private Companies, by their nature, will generally lack liquidity and involve a longer than usual investment time horizon. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts.

Although M&A markets were active during the first nine months of 2021, M&A activity levels were very low in 2020, with few exits and an extension of holding periods for private equity investments, as sellers continued to wait for the uncertainty resulting from the global pandemic to be resolved.

At September 30, 2021, private companies comprised 85.8% of Pender's investment portfolio. It may be relatively difficult for Pender to dispose of its investment in any private company rapidly at favourable prices due to weak M&A markets, adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts. Losses are typically realized before gains, and Pender may be required to dispose of Portfolio Companies before any returns are realized.

Pender faces competition from many other capital providers and there can be no assurance that suitable investments will be found. Despite the number of sources of private capital, financing for early-stage technology companies remains limited and is subject to pricing and terms that are based on the performance of the investee company, among other factors, and what is available may be on terms unfavourable to existing shareholders of these companies.

WOF Transaction

Effective May 28, 2021, the Company completed a transaction (the “WOF Transaction”) pursuant to which it acquired 100% of the Commercialization Series shares and 97% of the Venture Series shares of the Working Opportunities Fund (EVCC) Ltd. ("WOF"), and WOF was renamed Pender Private Investments Inc. Please also refer to the “Recent Developments” section of this MD&A. As at September 30, 2021, Pender’s investment in Pender Private Investments Inc., which holds an investment portfolio comprised primarily of private companies, represented 82.0% of Pender’s aggregate investment portfolio. Investments in private companies are inherently subject to the risks and uncertainties described above.

The terms of the WOF Transaction also provide for the Company to make additional cash payments if certain conditions arise on or before May 18, 2022. Refer to the “Recent Developments” section of this MD&A for further details.

In conjunction with the WOF Transaction, the Company entered into a three-year credit facility agreement with a Canadian chartered bank that allows Pender to draw up to $10 million. Pender drew $5 million on the facility to fund part of the first payment required under the WOF Transaction. The use of leverage can magnify gains on investments, but it can also magnify losses. Interest expense and other costs may not be recovered if gains on investments are insufficient. The use of leverage may require the Company to liquidate portfolio positions when it may not be advantageous to do so, in order to meet covenants or satisfy debt obligations. Other risks include the relatively high proportion of early-stage technology company investments in the portfolio, industry concentration and the relatively small number of investments in the portfolio.

Class C Shares

The Company’s Class C Shares are not redeemable. The Class C Shares trade on the TSXV under the ticker “PTF”. An active trading market for the Class C Shares may not be available, which may significantly impact the liquidity of those shares. The Net Assets per Share of the Class C Shares fluctuates with the Net Assets per Share of the Company. Even if an active trading market for Class C Shares is available, the market price of such shares may not enable shareholders to dispose of their shares at a reasonable price relative to the Net Assets per Share of the shares.

Other risks include the high proportion of technology company investments in the portfolio, industry concentration and the relatively small number of investments in the portfolio.

The risks associated with an investment in Pender are more fully described in its Annual Information Form dated November 8, 2021 under the heading “Risk Factors”. Reference should also be made to the “Caution Regarding Forward-Looking Statements” section at the beginning of this document.

Recent Developments

COVID-19

The COVID-19 global health pandemic that began in late 2019 resulted in the implementation of measures to contain the virus, including quarantines, travel restrictions and restrictions on the operation of stores and facilities in most of the world, including temporary, intermittent closures. The negative economic impact of these measures together with the uncertainty of the situation led to significant volatility in equity markets, increasing the exposure of the Company to risk, particularly liquidity risk, market risk and investment risk. While governmental initiatives to reduce the economic impact, ongoing research and development of vaccines and the progress of vaccine rollouts have mitigated volatility, exposure to investment risk and financial results will depend, to a large extent, on future developments and new information that may emerge regarding COVID-19 and its variants, factors that are beyond the Company's control. Given the nature and extent of the crisis, it is difficult to estimate the ultimate impact or duration of the situation on the Company.

Investments

We cannot control stock prices or volatility. However, we can and do control our disciplined investment process. As we run a concentrated investment portfolio, we only need to hold a relatively small number of good companies acquired at good prices to drive performance. We continue to look for best ideas, those that we think will benefit from the tailwinds caused by changes in behaviour, that could be potential disruptors or leaders on the other side of the global crisis, and that trade at significant discounts to intrinsic values.

We are pleased to see certain private technology companies from within our portfolio having the opportunity to go public. In February 2021, our Portfolio Company Tantalus Systems Holding Inc. successfully completed a listing on the TSXV under the symbol "GRID" in a reverse takeover transaction in which it closed a $9.9 million financing. In August 2021, BuildDirect.com Technologies Inc. completed a reverse takeover transaction in which it closed a $20.1 million financing and listed on the TSXV under the symbol "BILD". Subsequent to the quarter end, in October 2021, Copperleaf Technologies Inc. completed an initial public offering of common shares in which it raised $161.1 million and listed on the TSX under the symbol "CPLF". The Company holds shares of both BuildDirect.com Technologies Inc. and Copperleaf Technologies Inc. directly as well as indirectly through its investment in Pender Private Investments Inc.

We are also pleased to see other private technology companies from within our portfolio pursuing M&A opportunities. In August 2021, One45 Software Inc. was acquired by Altus Assessments. Within Pender Private Investments Inc. portfolio: In September 2021, Redlen Technologies Inc. was acquired by Canon Inc. and subsequent to quarter end, in October 2021, Teradici Corporation was acquired by HP Inc.

We are long-term, high-conviction investors but when conditions arise, we will take advantage of short-term 'close-the-discount' opportunities, such as those we saw in the IPO markets in the beginning of 2021.

During the nine months ended September 30, 2021, we sold a number of our publicly listed Portfolio Companies when they reached our estimate of intrinsic value. Highlights of the Portfolio Companies are presented in the "Portfolio of Investments" section.

We continue to work with our core positions, aiming to help these Portfolio Companies build their intrinsic value over the long-term. During the third quarter of 2021, this included actively working with the management teams of Portfolio Companies to support them through their growth, to either conserve cash or accelerate development, to assist customers and to pursue new opportunities that had recently developed. Where necessary, we also supported them in optimizing their business in connection with challenges and opportunities brought on by COVID-19.

Canadian venture capital investment activity[1] in the first half of 2021 was strong with $8.3 billion invested in 394 deals, which eclipsed all previous full-year totals recorded by the Canadian Venture Capital Association. The momentum of VC-backed exits continued in the first half of 2021, with a total of 30 exits and $5.9B in total value, which already accounts for almost 80% in number of exits and 60% of total exit

[1] Canadian Venture Capital & Private Equity Association: H1 2021 Canadian Venture Capital Market Overview

value in all of 2020. With the increase in general awareness of the strength and depth of the Canadian technology sector, we have been partnering with well-run technology companies helping them to go public.

NCIB

During the third quarter of 2021, the Company continued to acquire its own Class C Shares in the market under the Normal Course Issuer Bid (the "NCIB") that it launched on February 11, 2021. Under TSXV policies, during the one year term of the NCIB, the Company is entitled to purchase a maximum of 700,866 Class C Shares, being 10% of the Company's public float on launch date. During the nine months ended September 30, 2021, the Company bought back 123,600 Class C shares for a total price of $707,308 under this NCIB.

WOF Transaction

Effective May 28, 2021, the Company completed the WOF Transaction pursuant to which it acquired 100% of the Commercialization Series shares and 97% of the Venture Series shares of WOF. This transaction represented a unique opportunity for Pender to acquire an investment entity holding a portfolio of good companies in the private technology space, our sector of expertise. Pender had invested in Portfolio Companies alongside WOF from time-to-time over the years and in fact, the WOF portfolio includes an investment in BuildDirect.com Technologies Inc. and Copperleaf Technologies Inc., two of our existing Portfolio Companies.

Because of the actual and perceived conflict inherent in the fact that Pender and WOF were both managed by the Manager, the special committee of the WOF board of directors required the approval of the WOF Transaction by the WOF's Independent Review Committee and also engaged an independent financial advisor who provided a fairness opinion that the WOF Transaction is fair from a financial point of view to WOF's shareholders. Further, just prior to closing, WOF distributed any of its excess cash to its shareholders as a dividend.

In conjunction with the closing of the WOF Transaction, WOF deregistered as an "employee venture capital corporation", changed its name to Pender Private Investments Inc. ("PPI"), made an election to be a public corporation under the Income Tax Act and transitioned from the Canadian securities regulatory regime for investment funds to the Canadian securities regulatory regime for reporting issuers who are not investment funds.

Prior to the closing of the WOF Transaction, PPI had two types of Class A shares: Venture Series (also referred to as Balanced Shares) and Commercialization Series. The Company acquired all of the Commercialization Series shares in exchange for a cash payment in the amount of $508,096, being 75% of the BuildDirect.com Technologies Inc. subscription receipt financing price.

Holders of Venture Series shares had the option to sell or continue to hold their shares and 97% of the holders of Venture Series shares opted to sell, while 3% elected to continue to hold their shares. Holders of Ventures Series shares who opted to sell their shares to the Company received a cash payment equal to 43.5% of the net asset value per Venture Series share on the day prior to the date of the Arrangement Agreement, adjusted based upon the per share net asset value of the Venture Series portfolio as at the end of the business day immediately prior to May 28, 2021. The Balanced Shares (series 2) were renamed "Legacy Shares" and each outstanding Balanced Share (series 1) was exchanged for 1.18 Legacy Shares. The price paid for Balanced Shares (series 1) was effectively $1.7977, and for Balanced Shares (series 2) the price paid was $1.5157.

Those shareholders who sold their Venture Series shares ("Exiting Shareholders") have a limited and conditional right to an additional cash payment from the Company based on a percentage share of the net gains over carrying values at the effective date of the WOF Transaction from divestment activity in the Venture Series portfolio before May 18, 2022. Specifically, (a) if a divestment completes on or before November 18, 2021, Exiting Shareholders will receive their pro rata portion of 60% of the net gain; (b) if a divestment completes on or before February 18, 2022, Exiting Shareholders will receive their pro rata portion of 45% of the net gain; and (c) if a letter of intent, term sheet or binding agreement for a divestment is entered into on or before February 18, 2022 and such divestment is subsequently completed by May 18, 2022, Exiting Shareholders will receive their pro rata entitlement of 20% of to the net gain.

At September 30, 2021, the Company held approximately 97% or 16.7 million of the outstanding Legacy Shares. The Legacy Shares' rights and restrictions provide for them to be redeemed by PPI on a pro rata basis at NAV upon any divestment of a portfolio investment. Accordingly, on October 13, 2021, as a result of the divestments of two portfolio investments, PPI redeemed approximately 58.49% of all Legacy Shares on a pro rata basis at a redemption price of approximately $6.4705 per share. The Company received a total of $63,197,947 on redemption of 9,767,089 of the Legacy Shares it held. This redemption triggered a requirement for the Company to pay an additional cash payment of $21,136,513, or $1.2661 per share, to the Exiting Shareholders and the Company made the payment effective October 13, 2021.

Under IFRS, the gain inherent in the difference between the price the Company paid for the acquired shares and the net value of the assets acquired is treated as a deferred gain and a contra asset[2], under the investments reported in the financial statements. Total shareholders' equity per share for financial reporting purposes excludes this "Day-One Gain". Instead, under IFRS, the gain is deferred and will be recognized and taken into income to the extent applicable upon a change in a factor (including time) that market participants would take into account when pricing the investment.

"Reporting NAV" and "Reporting NAV per Share" are the non-IFRS measures that represent the Company's net assets per share including the "Day-One Gain", i.e., including its 97% proportionate share of the full net asset value of PPI. The Company uses Reporting NAV and Reporting NAV per Share as key indicators in the evaluation of the performance and condition of its business. We believe that Reporting NAV, which reflects the full value of the "Day-One Gain" on acquisition of PPI, is a useful indicator of the value and condition of its business. Reporting NAV is a non-IFRS financial measure and does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other reporting issuers.

In connection with the WOF Transaction, the Company obtained a three-year term loan from a Canadian chartered bank in the maximum amount of $10,000,000 (the "Term Loan"). As at September 30, 2021, the Company had drawn $5,000,000 on the Term Loan, which bears interest at a rate of 7.45% per annum and matures on May 28, 2024. As security for the Term Loan, the Company granted the lender a security interest in all of the shares of PPI held by the Company and in its holdings in its public company investments.

[2] A contra asset is a deduction from an asset that is reported on or below the related asset line in the financial statements. In this case, as required under IFRS, the *deferred gain* is recorded as a contra asset to the Company's *investments*, in effect, reducing the amount shown on the investments line in the financial statements.

Outlook

Stock markets remain volatile through the third quarter of 2021, but overall continued to push higher. Supportive monetary policies, an uptick in vaccine supply and distribution, gradual reopening of economies and other factors all contributed to the positive movement of stock markets. Nevertheless, many uncertainties remain.

M&A markets showed strength during the first nine months of 2021. With the recent increase in public awareness of the strength and depth of the Canadian technology sector, we are seeing a very strong pipeline of mature, well run technology companies going public, and we are looking to partner with other companies as they take steps to go public.

We are patient investors and continue to work closely with our private Portfolio Companies as well as some of our public Portfolio Companies, aiming to help them build their intrinsic value over the long-term. It is important to note that some of the best businesses are created during challenging times such as these and we are actively screening for new prospects.

We are cautiously optimistic, but we remain fully aware that volatility may be on the horizon. COVID-19 is negatively impacting economies around the world, including those in which our private Portfolio Companies do business.

We have evaluated the potential impact of COVID-19 on each of our Portfolio Companies and more information continues to become available as they continue to respond to the challenges and opportunities in the current market. Certain industries, including tourism and airlines, have been hard hit and it is likely that it will take some time for them to rebound.

Any potential impact on investment results will depend on future developments, including, for example, the duration and severity of COVID-19 and its variants and the actions taken by government authorities and other entities to contain the virus or to treat its impact, all of which are beyond our control. We continue to invest with the goal of leveraging Pender's advantages, its small asset base and investment flexibility, to the benefit of all shareholders.

PORTFOLIO OF INVESTMENTS

Our portfolio of investments reflects the fact that we are long-term, high-conviction investors while we also try take advantage of short-term "close-the-discount" opportunities where it makes sense to do so.

During the nine months ended September 30, 2021, we added PPI, an investment entity, to the portfolio as described in the "Recent Developments" section of the MD&A. We also bought additional securities of GreenSpace Brands Inc., one of our publicly listed Portfolio Companies. We divested one of private Portfolio Companies, and our entire holdings of six publicly listed Portfolio Companies, AgJunction Inc., BBTV Holdings Inc., Dye & Durham Limited, TIMIA Capital Corp., Spartan Delta Corp., and Wishpond Technologies Ltd.

As at September 30, 2021, the weight of our Portfolio Company holdings was 122.8% of Net Asset Value, an increase of 27.2% over the 95.6% at December 31, 2020, as we purchased PPI using leverage, and divested of one private Portfolio Company and six publicly listed Portfolio Companies.

Pender's Net Assets as at September 30, 2021, were comprised of securities of publicly listed companies (17.4%) and private companies (105.4%), with cash and other assets less liabilities making up the remainder (-22.8%). The significant trends and events for Pender's Portfolio Companies in the nine months ended September 30, 2021, are described in this section.

The table below presents the fair value of investments as at September 30, 2021 and December 31, 2020.

Investment	September 30, 2021	December 31, 2020
Total Investment	$ 193,601,264	$ 45,186,746
LESS: Deferred gain	31,552,950	-
Net investment	$ 162,048,314	$ 45,186,746

During the period, the company recognized and took into income $1,245,843 of the deferred gain described in the "Recent Developments" section of this MD&A, as PPI divested of two investees and as one of its investees was listed on the TSXV, events that produced an observable input. The September 30, 2021 balance of the deferred gain is $31,552,950.

Significant Equity Investments

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company has determined that PPI is a significantshares equity investee. Accordingly, we are required to disclose the following summary financial information. The summarized financial information provided is for the most recent year-to-date interim period and the comparative year-to-date period.

Pender Private Investments Inc.

PPI is an investment entity that holds a portfolio of companies in the technology sector. The Company acquired shares of PPI during 2021 as further described in the "Recent Developments" section of this MD&A. As at September 30, 2021, the Company held 97% of the outstanding Legacy Shares of PPI as well as 100% of its outstanding Commercialization Shares.

Pender Private Investments Inc.

Selected Financial Information	**September 30, 2021**	**December 31, 2020**
Total assets	$ 194,693,299	$ 62,241,043
Total liabilities	25,269,837	939,485
Total shareholder' equity	169,423,462	61,301,558

	Nine months ended September 30, 2021	**Nine months ended September 30, 2020**
Total revenue	$ 135,400,375	$ (3,576,340)
Net income (loss)	108,832,139	(5,273,596)

The PPI portfolio includes investments in two entities that are also held directly by the Company, Copperleaf Technologies Inc., and BuildDirect.com Technologies Inc., as well as a number of other investments, including companies described below.

General Fusion

General Fusion Inc. ("General Fusion") is a research and development stage company with the goal of developing a practical path to commercial fusion power, providing a powerful complement to renewables and a pathway to a zero-emission grid.

Redlen

Redlen Technologies Inc. (“Redlen”) manufactures high-resolution Cadmium Zinc Telluride (CZT) semiconductor radiation detectors enabling a new generation of high-performance detection and imaging equipment for applications that include nuclear cardiology, CT Scanning, baggage scanning and dirty bomb detection.

On September 9, 2021, Redlen reached an agreement with Canon Inc. (“Canon”) to conclude a share transfer agreement, with the goal of enabling Canon to accelerate the development of Photon Counting CT systems and continue to contribute to the advancement of diagnostic imaging. The acquisition was completed on September 28, 2021, resulting in PPI’s divestment of Redlen, as Redlen became a wholly owned subsidiary of Canon.

Copperleaf Technologies

Copperleaf Technologies Inc. (“Copperleaf”) provides decision analytics to companies managing critical infrastructure. It’s enterprise software solutions leverage operational and financial data to help its clients make investment decisions that deliver the highest business value. Copperleaf is based in Vancouver and its solutions are distributed and supported by regional staff and partners worldwide.

As an indication of the company’s global reach, in Q3 2021 Copperleaf announced that its decision analytics solution was selected by Stromnetz Hamburg, the owner and operator of a 29,500 km electricity distribution network in Hamburg, Germany. This partnership is an example of Copperleaf’s ability to provide industry-leading asset management decision support as it continues to grow and build out its business.

As at September 30, 2021, the Company held 12.9% of Copperleaf’s issued and outstanding shares, both directly and through its investment in PPI.

Copperleaf Technologies Inc.

Selected Financial Information	**September 30, 2021**	**December 31, 2020**
Total assets	$ 40,181,441	$ 53,638,138
Total liabilities	37,003,915	46,126,279
Total shareholder’ equity	3,177,526	7,511,859

	Nine months ended September 30, 2021	**Nine months ended September 30, 2020**
Revenue	$ 47,485,285	$ 28,086,716
Gross profit	37,624,075	18,971,357
Net loss and comprehensive loss for the period	(6,674,784)	(11,250,852)

On October 7, 2021, Copperleaf’s common shares began trading on the TSX under the symbol “CPLF”. The company raised $161.1 million at $15.00 per common share. The Copperleaf shares held by the Company are subject to a 180 day lock up period. There is no guarantee that the value of the Copperleaf shares will be realized after the expiration of the lock up period.

Other Private Unlisted Companies

We continue to work with our private Portfolio Companies, with the ongoing aim of helping them build their intrinsic value over the long-term and seek an orderly realization of that value to achieve returns for our shareholders.

one45 Software

one45 Software Inc. (“one45”) provides data management software under a software-as-a-service (“SaaS”) model to medical and other healthcare professional schools.

one45 was acquired by Pender in 2010 and grew from an evaluation-only system to a MedEd management platform that powers the unique operations, data collection and reporting needs of over 100 medical schools worldwide. Its analytics offering provides medical schools with deep insights into program, cohort and individual student performance. At its core is a data warehouse engine that allows medical schools to seamlessly integrate and centralize MedEd data sets in near real-time. one45 helps medical schools streamline day-to-day operational details and provides easy access to the data required to optimize programs and student performance.

On August 18, 2021, one45 announced that it had been acquired by Altus Assessments. This resulted in Pender divesting of its entire holding, after having been a proud supporter of one45 throughout its journey. This acquisition marks an important milestone and a significant achievement for one45.

Clarius

Clarius Mobile Health Corp. (“Clarius”) is developing and commercializing ultra-portable ultrasound scanners, with mobile applications and cloud solutions. The scanners connect wirelessly to off-the-shelf smartphones and tablets, based on its proprietary “ultrasound system-on-chip” technology. This novel technology efficiently utilizes technical resources on the chip, thus allowing high image quality to be maintained in a small form factor.

Clarius has a strong position in the ultra-portable ultrasound market with thousands of devices sold to date and in 2021 surpassed the one million count for ultrasound exams to-date, an indication of the emergence of the point-of-care ultrasound industry. In response to COVID-19, Clarius has seen an increase in demand for its scanners which are being used to check patients’ lungs for acute pneumonia.

Checkfront

Checkfront, Inc. (“Checkfront”) develops cloud-based booking management application and e-commerce platforms for tour providers, accommodation managers, and rental businesses in Canada and internationally. The Checkfront platform helps businesses manage their inventories, centralize reservations and process payments. Checkfront’s solution is used as an operating system by thousands of operators in over one hundred countries. Despite the industry impact of COVID-19, we believe the company is in a good position relative to industry peers who mostly operate under a commission-based revenue model. Checkfront’s key focus was the development of its infrastructure and people as the company prepared for the start of a return to travel as pandemic restrictions were eased or lifted during the nine months ended September 30, 2021.

BuildDirect

BuildDirect.com Technologies Inc. (“BuildDirect”) connects homeowners and home improvement professionals in North America with suppliers and sellers of building materials from around the world, with a focus on flooring. BuildDirect’s year-over-year growth, heavyweight delivery network, and digital reach have served to grow its business targeted towards repeat pro builders based in the United States. In May 2021, BuildDirect closed a financing as part of a planned go-public transaction with VLCTY Capital Inc., a capital pool company listed on the TSX Venture Exchange. On August 16, 2021, this transaction was completed and common shares of the renamed entity, BuildDirect.com Technologies Inc., were listed on the TSX Venture Exchange and trade under the symbol “BILD”.

Teradici

Teradici Corporation (“Teradici”) creates secure virtual workspaces, using its PCoIP technology which powers a spectrum of local, remote, mobile and collaborative work styles, simplifying how computing is provisioned, managed, and used throughout multi-cloud environments.

Teradici has received industry awards for technical progress, including receiving an Engineering Emmy award for its services to the media and entertainment industry. We believe the company is positioned for growth with its relationships with key ecosystem players, such as its collaboration with Mac announced earlier this year. During Q3 2021, Teradici entered into a definitive agreement to be acquired by HP Inc. (“HP”) with the goal of enhancing HP’s capabilities in the Personal Systems category by delivering new computer models and software-enabled digital services tailored for hybrid work. The acquisition was completed on October 1, 2021, resulting in PPI’s divestment of this holding.

Publicly listed Companies

During the nine months ended September 30, 2021, we continued to be patient, fundamental investors, and we believe that the market conditions resulting from COVID-19 present potential opportunities for our public company holdings. As long-term investors, we do not believe discussions around quarterly or annual gains or losses add much value. Having said that, in the following section we discuss those publicly listed investments that were key contributors to or detractors from the performance of our portfolio during the nine months ended September 30, 2021 and we highlight some of the publicly listed companies new to the portfolio this reporting period, if any.

During the nine months ended September 30, 2021, two of our private holdings went public. Tantalus Systems Holding Inc., a private Portfolio Company, became publicly listed (TSX:GRID) on completion of its going public transaction in February 2021. Since completing the transaction, Tantalus continues to focus on delivering innovative smart grid solutions to electric, water and gas utilities and we continue to hold its shares.

BuildDirect.com Technologies Inc. (“BuildDirect”), a Portfolio Company that we hold both directly and indirectly (further described in the “Other Private Unlisted Companies” section of this MD&A) announced in March of this year that it entered into a definitive agreement with VLCTY Capital Inc. (TSXV: VLCTY), a capital pool company listed on the TSXV, to complete a reverse takeover transaction. In May, 2021 it announced the closing of a $20.1 million offering of subscription receipts. The transaction completed on August 16, 2021 and the resulting issuer now trades on the TSXV under the symbol “BILD”. We continue to hold its shares.

We did not add any other publicly listed companies to the portfolio in the period.

Key positive publicly listed contributors to the Company's performance for nine months ended September 30, 2021 included Spartan Delta Corp.(TSXV:SDE), Vigil Health Solutions Inc. (TSXV:VGL), and ProntoForms Corporation (TSXV:PFM).

On the flip side, the portfolio saw some of its publicly listed holdings incur losses during the nine months ended September 30, 2021. BuildDirect.com Technologies Inc. (TSXV:BILD), BBTV Holdings Inc. (TSX:BBTV), and MAV Beauty Brands Inc. (TSX:MAV) were some of the key detractors.

Portfolio transactions during the year were made based on our stock selection process. In general, we increased weightings of individual stocks where we determined the margin of safety had increased and decreased their weightings as their traded market values moved closer to our estimates of their intrinsic values. We are constantly looking for new investment ideas and we may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred, or where we have changed our investment thesis. During the nine months ended September 30, 2021, we sold AgJunction Inc. (TSX:AJX), BBTV Holdings Inc. (TSX:BBTV), Dye and Durham Limited (TSX:DND), TIMIA Capital Corp (TSXV:TCA), Spartan Delta Corp. (TSXV:SDE), and Wishpond Technologies Ltd. (TSXV:WISH).

Portfolio Turnover

The Company's portfolio turnover was 1.5% during the three months (September 30, 2020 – 11.6%) and 37.5% during the nine months ended September 30, 2021 (September 30, 2020 – 45.1%). The portfolio turnover rate is calculated based on the lesser of purchases and proceeds of sales of securities during a period as a percentage of the average value of the Company's investments in that period. In general, lower turnover rates result in lower trading costs and may reduce realized capital gains and losses. During the nine months ended September 30, 2021, Pender's return on its investment portfolio under IFRS was 50.5%.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

As long-term, high-conviction investors, our goal is to create long-term capital appreciation for our shareholders, continuing to build on the Class C Shares' 21.3% annualized return under IFRS since inception.

At Pender, we quantify our investment results in terms of the growth in Net Assets or Net Assets per Share rather than the change in shareholders' equity or the change in our listed share price. The growth in Net Assets per Share over time is primarily a result of investment performance. Like many listed investment entities, our shares may trade at prices that may not be indicative of the underlying value of our Net Assets per Share. Further, the share price may change due to factors which are unrelated to our Net Assets per Share.

The Company's Net Assets increased by $84,621,369, or 179.1%, during the nine months ended September 30, 2021, to a level of $131,875,559 up from $47,254,190 at December 31, 2020. This increase was the result of investment performance of $112,126,709, interest income of $226,012 and total performance fee recovery of $8,417,952, less operating costs, contingent payment and income taxes of $35,441,996, and less share repurchases of $707,308 under the NCIB described in the "Recent Developments" section of this MD&A.

During the three months ended September 30, 2021, Net Assets per Share ranged from $6.21 to $9.14, while our closing price per share on the TSXV ranged from a high of $11.50 to a low of $7.75. During this three-month period the shares traded at prices representing a premium to Net Assets per Share of 57.13% to 24.90%.

During the nine months ended September 30, 2021, Net Assets per Share ranged from $5.82 to $9.14, while our closing price per share on the TSXV ranged from a high of $11.50 per share to a low of $4.20. During the period, the shares traded at prices representing a premium to Net Assets per Share 57.13% to a discount 30.83%.

There were no discontinued operations during the nine months ended September 30, 2021 and 2020.

Please refer to the “Financial Performance” and “Financial Condition” sections of this MD&A for additional details and to the “Past Performance” section of this MD&A for the performance of Class C Shares. The sectors in which the Company was invested as at September 30, 2021 are listed under the “Summary of Investment Portfolio” section of this MD&A.

SELECTED FINANCIAL INFORMATION

The following tables present selected key financial information about the Company to provide an understanding of the Company’s financial condition as at September 30, 2021 compared to September 30, 2020, and for the three preceding financial years, as well as its financial performance in the three months ended September 30, 2021, compared to the three months ended September 30, 2020, and the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. This section should be read together with the Condensed Interim Financial Statements and the Annual Audited Financial Statements.

Supplemental Data

	2021 Q3 (3 months)	2020 Q3 (3 months)	2020	2019	2018
Net Assets ($000s)	131,876	39,112	47,254	33,833	17,205
Non-Redeemable Class C Shares Outstanding	7,616,529	7,770,129	7,740,129	8,083,329	4,152,545
Net Assets per Share ($)	17.31	5.03	6.11	4.19	4.14
Closing Market Price* ($)	11.50	3.20	4.35	3.75	3.10
Total Increase (Decrease) from Operations per Share ($)	9.89	0.35	1.84	0.31	(0.35)

*Market Price: Closing market price on the last trading day of the period as reported on the TSXV

Financial Performance

		2021 Q3 (3 months)		2020 Q3 (3 months)		2021 Q1 - Q3 (9 months)		2020 Q1 - Q3 (9 months)
Net realized gain (loss)	$	11,759,663	$	2,949,137	$	16,258,325	$	3,982,097
Change in net unrealized gain (loss)		76,193,222		(22,333)		95,868,384		2,872,559
Foreign exchange gain (loss)		-		16		-		(8,802)
Dividend, interest and securities lending income		41,373		109,721		226,012		322,566
Total revenue		87,994,258		3,036,541		112,352,721		7,168,420
Management fees		(312,570)		(208,271)		(814,874)		(589,876)
Withholding taxes, GST/HST and transactions cost		(104,523)		(22,741)		(638,625)		(69,063)
Other expenses		(301,745)		(74,550)		(694,709)		(289,528)
Total operating expenses		(718,838)		(305,562)		(2,148,208)		(948,467)
Operating income		87,275,420		2,730,979		110,204,513		6,219,953
Other items:								
Performance fees		(18,774,287)		-		(20,348,791)		-
Performance fees waived by the Manager		4,693,572		-		5,087,198		-
Net amount		(14,080,715)		-		(15,261,593)		-
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares		23,679,545		-		23,679,545		-
Total performance fee recovery		9,598,830		-		8,417,952		-
Contingent payment		(9,377,925)		-		(21,136,513)		-
Net income (loss) before income taxes		**87,496,325**		**2,730,979**		**97,485,952**		**6,219,953**
Income tax expenses		(12,157,275)		-		(12,157,275)		-
Net comprehensive income	**$**	**75,339,050**	**$**	**2,730,979**	**$**	**85,328,677**	**$**	**6,219,953**
Management expense ratio		4.30%		2.96%		3.93%		3.22%
Trading expense ratio		0.73%		0.06%		1.66%		0.19%

Financial performance for the three months ended September 30, 2021

Highlights of the factors contributing to Pender's investment performance in the three months ended September 30, 2021 are presented in the "Portfolio of Investments" section of this MD&A.

(a) Net realized gain (loss)

Net realized gains and losses on investments are the result of the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended September 30, 2021, the net realized gain on investments was $11,759,663 (September 30, 2020 – net realized gain $2,949,137), primarily attributable to the divestment of BBTV Holdings Inc. and one private Portfolio Company, as well the partial divestment of Redline Communications Group Inc. as discussed in the Portfolio of Investments section of this MD&A.

(b) Change in net unrealized gain (loss)

Net unrealized gains and losses on investments are the result of changes in the value of Portfolio Companies held throughout the period and also as a result of unrealized gains or losses being reversed upon becoming realized gains or losses, upon the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended September 30, 2021, Pender's net change in unrealized gain on investments was $76,193,222 (September 30, 2020 – loss of $22,333), as a result of valuation increases of private Portfolio Companies, partially offset by decreases in the traded prices of several of Pender's publicly-listed Portfolio Companies.

(c) Foreign exchange gain (loss)

Pender's financial statements are presented in Canadian dollars, so to the extent that it holds US dollar-denominated assets and/or liabilities, it is exposed to fluctuations in currency exchange rates which may result in foreign currency gains and/or losses. During the three months ended September 30, 2021, Pender incurred a foreign exchange gain (loss) of $Nil (September 30, 2020 – a gain of $16). At present, the Manager believes that the level of the Company's US dollar-denominated assets does not warrant hedging the exposure to fluctuations in exchange rates.

(d) Dividend, interest and securities lending income

The Company may earn dividends, interest on its investments in securities, interest on its cash balances, and/or income from securities lending. The Company earned $41,373 of dividend, interest and securities lending income during the three months ended September 30, 2021 (September 30, 2020 - $109,721). The decrease from the comparable prior period is due to the fact that no dividend income was earned in this period. Interest income was earned on the convertible debentures of Siyata Mobile Inc., Clarius Mobile Health Corp., and BuildDirect.com Technologies Inc.

(e) Management Fees

The Company pays the Manager a management fee which is calculated as a percentage of Net Assets. The fee varies from period to period in proportion to the variance in the average balance of Net Assets. During the three months ended September 30, 2021, the increase in management fees paid by the Company reflected the increase in the level of Net Assets versus the previous quarter in 2020. The increase in Net Assets was primarily the result of investment performance that exceeded both expenses and the amount invested in the repurchase of Company shares under the NCIB.

During the three months ended September 30, 2021, management fee expense was $312,570, which was $104,299 higher than the fee of $208,271 in the three months ended September 30, 2020.

(f) Performance fees

The Manager is entitled to a performance fee in certain circumstances. The performance fee is calculated annually as 20% of any net increase in shareholders' equity above an annual hurdle rate of 6%, subject to a highwater mark.

Performance fees are accrued during the year, and the annual performance fee, if any, is as calculated on the last Valuation Date of the year and becomes payable upon the publication of the Company's annual audited financial statements.

The Manager shall pay to the Company an amount equal to the portion of the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI Shares, or 97.19%.

During the three months ended September 30, 2021, the Company incurred performance fees of $18,774,287 (September 30, 2020 – $Nil). The Manager agreed to waive part of the performance fee, reducing the fee to 15% instead of 20%, for a reduction of $4,693,572 (September 30, 2020 – $Nil). The net performance fee accrual was $14,080,715.

During the three months ended the Company accrued $23,679,545 (September 30, 2020 – $Nil) as receivable from the Manager for the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI Shares. The total performance fee recovery was $9,598,830 (2020 - $Nil), equivalent to the net performance fee accrual adjusted for the described receivable from the Manager for performance fees the Manager earned from PPI.

(g) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the MER Costs by the average Net Assets. The 4.30% MER for the three months ended September 30, 2021 was 1.34% higher than the 2.96% MER during the three months ended September 30, 2020, primarily due to the additional financing expenses for the credit facility described in the "Recent Developments" section of this MD&A.

The performance fees are excluded from MER Costs and during the three months ended September 30, 2021 the performance fees were 24.86% of average Net Assets.

(h) Trading Expense Ratio

The TER is an annualized percentage calculated by dividing the total of all commissions and other portfolio transaction costs by the average Net Assets during the period. The small number of Portfolio Companies and the long-term investment horizon of the Company have historically resulted in a TER that is relatively low. The TER for the three months ended September 30, 2021 was 0.73% (September 30, 2020 – 0.06%), with the increase in the period being primarily due to the accrual of costs for the WOF Transaction described in the "Recent Developments" section of this MD&A.

(i) Income tax expense

The Company has accrued income taxes expense of $12,157,275 (December 31, 2020 - $Nil) relating to its estimate of taxable income.

Financial performance for the nine months ended September 30, 2021

Highlights of the factors contributing to Pender's investment performance in the nine months ended September 30, 2021 are presented in the "Portfolio of Investments" section of this MD&A.

(a) Net realized gain (loss)

Net realized gains and losses on investments are the result of the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the nine months ended September 30, 2021, the net realized gain on investments was $16,258,325 (September 30, 2020 – net realized gain $3,982,097), attributable to the full divestment of shares of

AgJunction Inc., Dye & Durham Limited, TIMIA Capital Corp., Spartan Delta Corp and Wishpond Technologies Ltd. and BBTV Holdings Inc., one private Portfolio Company, and the partial divestment of certain publicly listed Portfolio Companies, such as Redline Communications Group.

(b) Change in unrealized gain (loss)

Net unrealized gains and losses on investments are the result of changes in the value of Portfolio Companies held throughout the period and also as a result of unrealized gains or losses being reversed upon becoming realized gains or losses upon the sale of Portfolio Companies. Net unrealized gains and losses are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the nine months ended September 30, 2021, Pender's net change in unrealized gain on investments reflected a gain of $95,868,384 (September 30, 2020 – gain of $2,872,559), primarily as a result of increases in the value of private Portfolio Companies, partially offset by decreases in the traded prices of some of Pender's publicly-listed Portfolio Companies.

(c) Foreign exchange gain (loss)

Pender's financial statements are presented in Canadian dollars so, to the extent that it holds US dollar-denominated assets and/or liabilities, it is exposed to fluctuations in currency exchange rates which may result in foreign currency gains and/or losses. During the nine months ended September 30, 2021, Pender incurred a foreign exchange gain (loss) of $Nil (September 30, 2020 - a loss of $8,802). At present, the Manager believes that the level of the Company's US dollar-denominated assets does not warrant hedging the exposure to fluctuations in exchange rates.

(d) Dividend, interest and securities lending income

The Company may earn dividends and/or interest on its investments in securities, interest on its cash balances, and income from securities lending. The Company earned $226,012 of interest and securities lending income during the nine months ended September 30, 2021 (September 30, 2020 - $322,566). The decrease in the period was due to the fact that no dividend income was earned. Interest income was earned on the convertible debentures of Siyata Mobile Inc., Clarius Mobile Health Corp and BuildDirect.com Technologies Inc.

(e) Management Fees

The Company pays the Manager a management fee which is calculated as a percentage of Net Assets. The fee varies from period to period in proportion to the variance in the average balance of Net Assets. During the nine months ended September 30, 2021, the increase in management fees paid by the Company reflected the increase in the level of Net Assets versus those of the previous quarter in 2020. The increase in Net Assets was primarily the result of investment performance that exceeded both expenses and the amount invested in the repurchase of Company shares under the NCIB.

Overall, management fee expense was $814,874 for the nine months ended September 30, 2021, which was $224,998 higher than the fee of $589,876 for the comparable period in the prior year.

(f) Performance fees

The Manager is entitled to a performance fee in certain circumstances. The performance fee is calculated annually as 20% of any net increase in shareholders' equity above an annual hurdle rate of 6%, subject to a high water mark.

Performance fees are accrued during the year, and the total performance fee for the year, if any, is as calculated on the last Valuation Date of the year and becomes payable upon the publication of the Company's annual audited financial statements.

The Manager shall pay to the Company an amount equal to the portion of the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI Shares, or 97.19%.

During the nine months ended September 30, 2021, the Company incurred performance fees of $20,348,791 (September 30, 2020 – $Nil). The Manager agreed to waive part of the performance fee, reducing the fee to 15% instead of 20%, for a reduction of $5,087,198 (2020 – $Nil). The net performance fee accrual was $15,261,593.

During the nine months ended the Company accrued $23,679,545 (September 30, 2020 – $Nil) as receivable from the Manager from the Manager for the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI Shares. The total performance fee recovery was $8,417,952 (2020 - $Nil), equivalent to the net performance fee accrual adjusted for the described receivable from the Manager for performance fees the Manager earned from PPI.

(g) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total MER Costs by the average Net Assets. The MER for the nine months ended September 30, 2021 was 3.93%, 0.71% higher than the 3.22% MER during the nine months ended September 30, 2020, primarily due to the additional financing expenses for the credit facility described in the "Recent Developments" section of this MD&A.

The performance fees are excluded from MER Costs and during the nine months ended September 30, 2021 the performance fees were 29.69% of average Net Assets.

(h) Trading Expense Ratio

The TER is an annualized percentage calculated by dividing the total of all commissions and other portfolio transaction costs by the average Net Assets during the period. The small number of Portfolio Companies and the long-term investment horizon of the Company have resulted in a TER that is relatively low. The TER for the nine months ended September 30, 2021 is 1.66% (September 30, 2020 – 0.19%), with the increase in the period being primarily due to the accrual of costs for the WOF Transaction described in the "Recent Developments" section of this MD&A.

(i) Income tax expense

The Company has accrued income taxes expense of $12,157,275 (December 31, 2020 - $Nil) relating to its estimate of taxable income.

Financial Highlights

Net Assets per Share (Note 1)	2021 Q3 (3 months)	2020 Q3 (3 months)	2020	2019	2018
Net Assets per Share (beginning of period)	**$6.11**	**$4.66**	**$4.19**	**$4.14**	**$4.49**
Increase (decrease) from operations:					
Total revenue	0.01	0.01	0.23	0.09	0.00
Total expenses	(1.66)	(0.04)	(0.29)	(0.16)	(0.18)
Realized gains (losses)	1.54	0.38	0.88	0.09	0.00
Unrealized gains (losses)	10.00	0.00	1.02	0.29	(0.17)
Total increase (decrease) from operations	**9.89**	**0.35**	**1.84**	**0.31**	**(0.35)**
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	-	-	-	-	-
Net Assets per Share (end of period)	**$17.31**	**$5.03**	**$6.11**	**$4.19**	**$4.14**
Ratios and Supplemental Data					
Total net asset value ($000s)	$131,876	$39,112	$47,254	$33,833	$17,205
Number of shares outstanding	7,616,529	7,770,129	7,740,129	8,083,329	4,152,545
Closing market price	$11.50	$3.20	$4.35	$3.75	$3.10

Note 1 - Net assets per share is based on the number of shares outstanding at the relevant time. The increase (decrease) from operations per share is based on the weighted-average number of shares outstanding during the period. Therefore, the beginning of period net assets plus the increase (decrease) from operations shown above will not sum to the end of period net assets.

Financial Condition

		September 30, 2021		December 31, 2020
Assets				
Cash	$	11,286,003	$	1,789,278
Due from related parties		8,223,783		-
Divestment proceeds receivable		2,134,841		667,631
Interest receivable		118,934		52,075
Prepaid expenses		12,073		4,243
Receivable for investments sold		-		729,274
Investments		162,048,314		45,186,746
Total assets		183,823,948		48,429,247
Liabilities				
Contingent payment obligation payable		21,136,513		-
Payable for investments purchased		13,453,808		-
Income tax payable		12,157,275		-
Loan payable		5,000,000		-
Accounts payable and accrued liabilities		170,177		116,184
Interest payable		30,616		-
Due to related parties		-		1,058,873
Total liabilities		51,948,389		1,175,057
Shareholders' equity	$	131,875,559	$	47,254,190

(a) Investments

As at September 30, 2021, Pender's investments of $162,048,314 comprised publicly listed Portfolio Companies valued at $23,067,084 and private, plus unlisted Portfolio Companies valued at $170,534,180, less the deferred gain of $31,552,950 described in the "Recent Developments" section of this MD&A. The increase of $116,861,568 from the investments balance of $45,186,746 at December 31, 2020 is a result of the purchase of PPI under the WOF Transaction, net of the divestment of shares of some directly and indirectly held investments and the net change in unrealized appreciation of private Portfolio Companies. Please refer to "Recent Developments" and "Portfolio of Investments" sections of this MD&A for a discussion of certain Portfolio Companies and significant factors that affected them in the nine months ended September 30, 2021.

The Deferred gain of $31,552,950 (December 31, 2020 - $Nil) represents the difference between the discounted price the Company paid for the shares of PPI acquired in the period and the full value of PPI at the date of acquisition. Under IFRS, this Day-One Gain is not recognized as income and so it is excluded from total shareholders' equity per share for financial reporting purposes and it is instead treated as a deferred gain. The deferred gain will be recognized and taken into income to the extent applicable upon a change in a factor (including time) that market participants would take into account when pricing the investment. During the period, the company recognized a deferred gain of $1,245,843.

(b) Cash

Pender typically holds cash balances as a strategic asset class, to invest in securities, as well as to pay expenses. Cash balances are monitored daily by the Manager. The $11,286,003 cash balance at September 30, 2021 was $9,496,725 higher than the $1,789,278 balance at December 31, 2020. This increase in cash was primarily due to the proceeds on disposal of investments plus the loan described in the “Recent Developments” section of this MD&A, which exceeded payments for purchase of investments in the period, and the payment of expenses, accounts payable and share repurchases under the NCIB disclosed in the “Recent Developments” section of this MD&A.

(c) Divestment proceeds receivable

At September 30, 2021, divestment proceeds of $2,134,841 were receivable from a private Portfolio Company that was divested in the period. The $667,631 balance due at December 31, 2020 related to the disposition in prior year(s) of the shares two other private Portfolio Companies and was received in the period.

(d) Interest Receivable

The $118,934 interest receivable balance relates to interest on convertible debentures issued to Portfolio Companies.

(e) Due from related parties

The $8,223,783 balance due from related parties as at September 30, 2021 is from due to related parties of $15,455,762 (December 31, 2020 – due to related parties $1,058,873) related to normal course management fees, performance fees net of fees waived/expenses absorbed by the Manager and operating expenses paid on behalf of the Company, and a due from related parties of $23,679,545 related to the above described receivable from the Manager for performance fees the Manager earned from PPI.

(f) Accounts payable and accrued expenses

The Company’s accounts payable and accrued expenses balance represent amounts due to third parties for operating expenses. During the nine months ended September 30, 2021, this balance increased by $53,993 to $170,177 in the normal course of business, but also due to auditing fee for the WOF Transaction described in the “Recent Developments” section of this MD&A.

(g) Payable for investments purchased

As at September 30, 2021, the Company’s accounts reflect a balance of $13,453,808 payable for investments purchased (December 31, 2020 - $Nil). This liability relates primarily to the acquisition of PPI, as further described in the “Recent Developments” section of this MD&A, which provided that 50% of the payment for the Venture Series shares acquired was to be paid shortly after closing, and that the remaining 50% of the payment, $12,653,808, would be paid as soon as reasonably practicable after November 28, 2021, the six-month anniversary of the closing.

(h) Contingent payment obligation payable

As described in the “Recent Developments” section of this MD&A, those former WOF shareholders that sold their Venture Series shares, known as the Exiting Shareholders, have a limited and conditional right to an additional cash payment from the Company based on a percentage share of the net gains over carrying values at the effective date from divestment activity in the Venture Series portfolio before May 18, 2022.

As the result of PPI’s divestment of certain portfolio investments, and its redemption of a certain number of the Company’s Legacy Shares (also described in the “Recent Developments” section of this MD&A) the Company has accrued a contingent payment obligation payable in the amount of $21,136,513 at September

30, 2021 or $1.2661 per share (December 31, 2020 - $Nil). This payment was made effective October 13, 2021.

(i) Loan payable

In conjunction with the WOF Transaction described in the “Recent Developments” section of this MD&A, the Company entered into a three-year credit facility agreement with a Canadian chartered bank that allows it to draw up to $10 million. As at September 30, 2021, the balance drawn on the facility was $5 million (December 31, 2020 - $Nil).

(j) Income tax payable

The Company has accrued income taxes payable of $12,157,275 (December 31, 2020 - $Nil) relating to its estimate of taxable income.

(k) Shareholders’ equity

Shareholders’ equity represents the equity in the Company owned by the holders of the 7,616,529 non-redeemable Class C common shares outstanding as at September 30, 2021 (December 31, 2020 - 7,740,129). The decrease of 123,600 Class C Common Shares during the nine months ended September 30, 2021 reflects shares repurchased under the NCIB described in the “Recent Developments” section of this MD&A.

Cash Flows

For the nine months ended September 30, 2021, Pender’s cash balance increased by $9,496,725, primarily due to the excess of proceeds on disposal of investments and loan proceeds over cash deployed to purchase investments, expenses and the cost of share repurchases under the NCIB, as described in the “Recent Developments” section of this MD&A.

Shareholder Activity

During the nine months ended September 30, 2021, the Company repurchased 123,600 shares under the NCIB described in the “Recent Developments” section of this MD&A, reducing the outstanding shares from 7,740,129 at the prior year end to 7,616,529 as at September 30, 2021.

On May 10, 2019, the Company completed a secondary offering of Class C shares on the TSXV for aggregate proceeds of $15,015,000. On May 24, 2019, the Company announced the syndicate of agents had exercised their option to purchase over-allotment shares which brought the total gross proceeds from the offering to $15,330,058. The secondary offering resulted in underwriting fees of $433,075 and other offering expenses of $332,155, for total net proceeds of $14,564,828. As a result of the secondary offering, 3,930,784 Class C shares were issued, which increased total outstanding Class C shares to 8,083,329 as at December 31, 2019. The Company used the net proceeds for working capital purposes and to invest in public and private investment opportunities, in accordance with the Company’s investment strategies.

On July 24, 2019, at the annual general and special meeting, the shareholders approved a special resolution under the *Business Corporations Act* (British Columbia) altering the authorized share structure of the Company to (a) create a new class of preferred shares issuable in series; (b) delete the Class B Convertible Non-Participating shares and the Class R Senior Participating Redeemable Convertible Preference Shares, none of which were issued and outstanding; and (c) to alter the Articles of the Company to remove references to the Class R shares from the special rights and restrictions of the Class C Shares.

More information about the formation and history of the Company is available in its Annual Information Form dated November 8, 2021.

SUMMARY OF QUARTERLY RESULTS

The tables below show information about Pender's financial performance for the most recently completed eight quarters. In each quarter, the net income or loss is a result of realized and unrealized gains and losses on investments, dividend, interest and securities lending income, and operating expenses. A comparison of the information presented from quarter-to-quarter does not necessarily indicate any meaningful pattern or correlation.

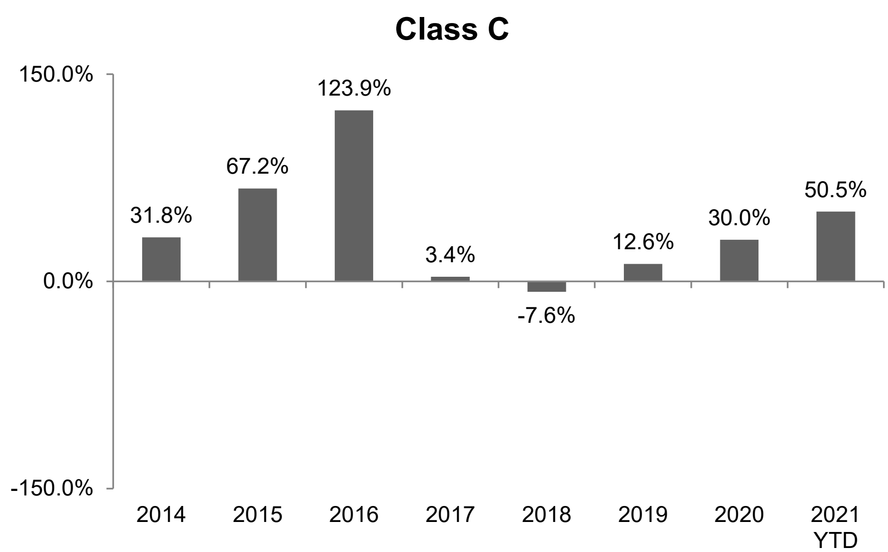
	2021 Q3	2021 Q2	2021 Q1	2020 Q4
Net realized gain (loss)	$ 11,759,663	$ 1,908,681	$ 2,589,981	$ 2,968,126
Change in net unrealized gain (loss)	76,193,222	21,584,389	(1,909,226)	5,223,971
Foreign exchange gain (loss)	-	-	-	(41,740)
Dividend, interest and securities lending income	41,373	89,113	95,526	1,475,828
Total revenue	87,994,258	23,582,183	776,281	9,626,185
Management fees	(312,570)	(241,069)	(261,235)	(231,772)
Withholding taxes, GST/HST and transaction costs	(104,523)	(278,726)	(255,376)	(125,038)
Other expenses	(301,745)	(270,696)	(122,270)	(105,371)
Total operating expenses	(718,838)	(790,491)	(638,881)	(462,181)
Operating income	87,275,420	22,791,692	137,400	9,164,004
Other items:				
Performance fees	(18,774,287)	(1,574,504)	-	(1,211,315)
Performance fees waived by the Manager	4,693,572	393,626	-	302,829
Net amount	(14,080,715)	(1,180,878)	-	(908,486)
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	23,679,545	-	-	-
Total performance fee recovery (expenses)	9,598,830	(1,180,878)	-	(908,486)
Contingent payment	(9,377,925)	(11,758,588)	-	-
Net income (loss) before income taxes	**87,496,325**	**9,852,226**	**137,400**	**8,255,518**
Income tax expenses	(12,157,275)	-	-	-
Net comprehensive income	**$ 75,339,050**	**$ 9,852,226**	**$ 137,400**	**$ 8,255,518**
Net Assets per Share (beginning of period)	$ 7.42	$ 6.13	$ 6.11	$ 5.03
Net Assets per Share (end of period)	$ 17.31	$ 7.42	$ 6.13	$ 6.11

	2020 Q3	2020 Q2	2020 Q1	2019 Q4
Net realized gain (loss)	$ 2,949,137	$ 437,666	$ 595,295	$ 706,480
Change in net unrealized gain (loss)	(22,333)	4,195,453	(1,300,561)	1,108,024
Foreign exchange gain (loss)	16	(10,053)	1,236	(6,912)
Dividend, interest and securities lending income	109,721	120,517	92,327	532,102
Total revenue	3,036,541	4,743,583	(611,703)	2,339,694
Management fees	(208,271)	(192,690)	(188,914)	(187,536)
Withholding taxes, GST/HST and transaction costs	(22,741)	(18,187)	(28,136)	(17,321)
Other expenses	(74,550)	(90,088)	(124,889)	(94,393)
Total operating expenses	(305,562)	(300,965)	(341,939)	(299,250)
Net income (loss) before income taxes	2,730,979	4,442,618	(953,642)	2,040,444
Income tax expenses	-	-	-	-
Net comprehensive income	**$ 2,730,979**	**$ 4,442,618**	**$ (953,642)**	**$ 2,040,444**
Net Assets per Share (beginning of period)	$ 4.66	$ 4.08	$ 4.19	$ 3.93
Net Assets per Share (end of period)	$ 5.03	$ 4.66	$ 4.08	$ 4.19

PAST PERFORMANCE

To illustrate how the Company's performance has varied over time, the following bar chart shows performance for the nine months ended September 30, 2021 and for each of the previous years ended December 31. The past performance of the Company does not necessarily indicate how it will perform in the future.

Past performance for Class C Shares of the Company is calculated based on its shareholders' equity and is not based on its market price on the TSXV. It should also be noted that total shareholders' equity which is calculated under IFRS for financial reporting purposes may be different from the Reporting NAV. In addition, the information presented does not take into account sales, redemptions, distributions, income taxes payable or other charges that would have reduced returns or performance. Finally, the information presented for the years prior to 2018 relates to the period when the Company was subject to the Investment Funds Regime. Commencing December 31, 2018, the Company became subject to the Corporate Issuer Regime. Refer to the "Reporting Regime" section of this MD&A for additional details.



SUMMARY OF INVESTMENT PORTFOLIO

Pender's largest Portfolio Company holdings as at the end of the period and the major asset classes in which Pender was invested are indicated below. The investment portfolio may change due to ongoing portfolio transactions. Please also refer to the "Schedule of Investment Portfolio" in the Financial Statements.

Summary of Top 25 Holdings

	% OF NET ASSETS
Private unlisted companies*	105.4
Inscape Corporation, Class B	5.0
GreenSpace Brands Inc.	3.4
ProntoForms Corporation	2.2
Quorum Information Technologies Inc.	1.4
Sangoma Technologies Corporation	1.3
BuildDirect.com Technologies Inc.	0.8
Tantalus Systems Holding Inc.	0.8
GreenSpace Brands Inc., 12%, 10/01/2022	0.7
Vigil Health Solutions Inc.	0.7
Siyata Mobile Inc., 12%, 12/23/2021	0.6
MAV Beauty Brands Inc.	0.4
Redline Communications Group Inc.	0.1

Summary of Composition of the Portfolio

	% OF NET ASSETS
Pender Private Investment	100.8
Information Technology	8.7
Industrials	5.0
Consumer Staples	4.5
Software and Services	1.5
Consumer Discretionary	0.8
Technology Hardware and Equipment	0.8
Health Care	0.7
TOTAL INVESTMENTS	**122.8**
Cash	8.6
Other assets less liabilities	(31.4)
TOTAL NET ASSETS	**100.0**

* The value of these companies is disclosed on an aggregate basis due to the nature of private, unlisted companies. Refer to the Financial Statements for more information. The names of these private Portfolio Companies are listed in the table below.

COMMON SHARES

Copperleaf Technologies Inc.
Pender Private Investments Inc., Commercialization Shares
Pender Private Investments Inc., Legacy Shares

PREFERRED SHARES

Checkfront, Inc., Series A-2
Copperleaf Technologies Inc., Series 1, Class A, Convertible
D-Wave Systems Inc.

CONVERTIBLE DEBENTURES

Clarius Mobile Health Corp., 10%, 12/31/2023

DIVIDEND POLICY

The Company does not currently intend to pay regular dividends or other distributions but may do so if, as and when determined by the Board of Directors.

OUTSTANDING SHARE DATA

As at November 15, 2021 the Company had 7,616,529 Class C Shares outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

As at September 30, 2021, the Manager, and directors and officers of the Company held 9.7% of the Company's Class C Shares, directly and/or indirectly. The aggregate investment by the Company's directors and officers in all Portfolio Companies did not exceed 1.0% of the any Portfolio Company's issued and outstanding shares.

Pender pays management fees and performance fees to the Manager for management and portfolio advisory services.

Effective May 2019, the management fee paid to the Manager was reduced to 2.50% on the first $15,000,000 of the value of Net Assets and 1.75% on the value of Net Assets above $15 million. Prior to that date, the management fee paid to the Manager was equal to 2.50% of the value of Net Assets up to $50 million and 2.00% of the value of Net Assets in excess of $50 million. The management fee is calculated and paid monthly. The management fee expense is $814,874 for the nine months ended September 30, 2021.

Pender also pays the Manager a performance fee in certain circumstances, based on achieving certain performance criteria. The performance fee is calculated as 20% of any net increase in the value of Pender's shareholders' equity above an annual hurdle rate of 6%. The performance fee is calculated on an annual basis and is subject to a highwater mark, being the year-end value of Net Assets per Share for the most recent preceding year in which a performance fee was earned. Subject to the accumulation of the hurdle rate in years in which no performance fee is payable, the highwater mark will not be reset other than to be adjusted in the event of a subdivision or consolidation of the shares. During the nine months ended September 30, 2021, performance fees accrued were $20,348,791 (2020 - $Nil), of which $5,087,198 (2020 - $Nil) was waived by the Manager. Performance fees are accrued during the year, and the total performance fee, if any, calculated on the last Valuation Date of the year are payable upon the publication of the Company's annual audited financial statements.

The Manager also recovers from the Company certain operating expenses incurred by it on behalf of the Company.

On May 28, 2021, the Company completed the WOF Transaction, as described in the "Recent Developments" section of this MD&A, and in so doing acquired 97% of PPI, a company that is also managed by the Manager. The Manager shall pay to the Company an amount equal to the portion of the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI Shares, or 97.19%. As at September 30, 2021 the Company had accrued $23,679,545 as receivable from the Manager in this respect.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2021, the Company was in a solid liquidity position, with cash of $11,286,003 comprising 8.6% of the value of its Net Assets, and investments in publicly traded securities of $21,317,084 or 16.1% of the value of its Net Assets.

Should the future composition of its portfolio be weighted significantly more toward investments that could not readily be sold, the Company would need to secure credit facilities or issue securities to help meet its liquidity needs. There is no immediate need to rely on these liquidity sources.

COMMITMENTS AND CONTINGENCIES

Pender may become liable for commitments and contingencies relating to litigation or claims in the normal course of business as a result of investing. The Manager is not aware of any commitments or contingencies, or any current or planned litigation or claims against it.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised.

The Company may hold financial instruments that are not quoted in an active market, including derivatives. Currently, the Company holds common and preferred shares as well as convertible debt issued by its private Portfolio Companies. Details of these holdings are set forth in the "Summary of Investment Portfolio" section of this MD&A.

The determination of the fair value of these investments is the area with the Manager's most significant accounting judgements and estimates in preparing these financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next reporting period is included in the Notes to the Financial Statements and relates to the determination of fair value of investments with significant unobservable inputs.

The Company uses widely recognized valuation models for determining the fair value of relatively simple financial instruments which are publicly traded, such as debt and equity securities, mutual fund units and warrants that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple OTC derivatives such as forward foreign currency contacts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation, and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Company uses recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or may be estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value.

In determining fair value for instruments for which there is no public market available, the Manager considers: the history and nature of the business; operating results and financial conditions; general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; comparable fund trading and transaction multiples, where applicable; and other pertinent considerations. Adjustments to the carrying value of the investments may also be determined by the Manager when there is pervasive and objective evidence of a decline in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and/or other developments since acquisition.

Significant unobservable inputs are developed as follows:

(i) Enterprise value:

Enterprise Value represents the amount that market participants would pay when purchasing the Portfolio Company. The Manager determines this value based on comparable arm's length transactions in shares of the applicable comparable entity, on revenue multiples, or other valuation methods as appropriate.

(ii) Revenue multiple:

Revenue multiples are selected from comparable public companies based on geographic location, industry, size, target markets, and other factors that the Manager considers appropriate. The traded multiples for the comparable companies are determined by dividing the enterprise value of the Portfolio Company by its revenue and may be further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and the specific Portfolio Company.

CHANGES IN ACCOUNTING POLICIES

The Company has determined there were no changes in accounting policy for the nine months ended September 30, 2021.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Company has determined there are no IFRS standards that are issued but not yet effective that could materially impact the Company's financial statements.

MANAGED BY:
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